

UNITED STATES DISTRICT COURT
EASTERN DISTRICT OF MICHIGAN
SOUTHERN DIVISION

UNITED STATES OF AMERICA,

Plaintiff,

Case:2:17-cr-20653
Judge: Lawson, David M.
MJ: Stafford, Elizabeth A.
Filed: 10-03-2017 At 03:50 PM
INDI USA V. HAIRSTON (DA)

v.

GARY HAIRSTON,

Defendant.

INDICTMENT

THE GRAND JURY CHARGES:

INTRODUCTION

At times material to this Indictment:

1. Defendant GARY HAIRSTON resided within the Eastern District of Michigan, and was the owner and operator of Gary Y Hairston & Co, PLLC (“Hairston & Co”), a tax-preparation business located in Inkster, Michigan.
2. The Internal Revenue Service (“IRS”) was an agency of the United States Department of Treasury responsible for administering and enforcing the tax laws of the United States.

3. A Form 1040 was an income tax return filed with the IRS in the name of an individual taxpayer that reported, among other items, the taxpayer's income, deductions, and credits, to determine the amount of tax owed by, or the amount of tax refund claimed by, the taxpayer.

4. A Schedule C, Profit or Loss from Business (Sole Proprietorship) ("Schedule C"), and a Schedule C-EZ, Net Profit from Business (Sole Proprietorship) ("Schedule C-EZ") were IRS forms that taxpayers attached to Forms 1040, when applicable, to report, among other items, gross receipts, expenses, and profit or loss from businesses operated by the taxpayers as sole proprietorships.

5. The Earned Income Tax Credit ("EITC") was a refundable federal income tax credit for working individuals and families with low to moderate income. When the EITC exceeded the amount of taxes owed, it resulted in a tax refund to those who claimed and qualified for the credit. The amount of an individual's EITC varied depending on, among other things, the individual's earned income and whether the individual had a qualifying dependent or dependents.

6. Through Hairston & Co, defendant GARY HAIRSTON prepared and caused to be prepared U.S. Individual Income Tax Returns, Forms 1040 ("Forms 1040") and related schedules on behalf of taxpayers for submission to the IRS.

**Fraudulent Tax Return Preparation Orchestrated by
Defendant GARY HAIRSTON**

7. Defendant GARY HAIRSTON prepared and caused to be prepared and filed with the IRS false and fraudulent Forms 1040 with Schedules C and C-EZ for clients of Hairston & Co for the tax years 2010 through 2014.

8. Defendant GARY HAIRSTON's preparation of false and fraudulent Forms 1040 and related Schedules C and C-EZ generated falsely reported EITC tax credits which resulted in the IRS's issuing tax refunds to clients to which they were not entitled, and tax refunds to clients in amounts greater than those to which they were entitled.

IRS Undercover Operation

9. In or about April 2014, defendant GARY HAIRSTON prepared a false and fraudulent Form 1040 for the 2013 tax year for an undercover IRS agent. Defendant GARY HAIRSTON falsely reported on the Form 1040 that the undercover IRS agent earned income that the undercover IRS agent neither earned nor informed defendant GARY HAIRSTON that she earned. Defendant GARY HAIRSTON also attached a Schedule C to the Form 1040 which falsely reported the undercover IRS agent owned and operated a business which she neither owned and operated nor informed defendant GARY HAIRSTON that she owned and operated. As a result of these falsities, the Form 1040 requested a refund of \$3,775, whereas, based on the information actually presented by the undercover IRS agent

to defendant GARY HAIRSTON, the Form 1040 should not have requested any refund.

COUNTS ONE THROUGH TWENTY-SIX

(26 U.S.C. § 7206(2) – Aiding and Assisting in the Preparation of False Tax Returns)

10. Paragraphs 1 through 9 of this Indictment are re-alleged and incorporated as if fully set forth herein.

11. On or about the dates set forth below, within the Eastern District of Michigan and elsewhere, defendant GARY HAIRSTON, did willfully aid and assist in, and procure, counsel, and advise the preparation and presentation under, and in connection with a matter arising under, the Internal Revenue laws, of returns, claims, and other documents, to wit: Forms 1040 and attached Schedules, for the clients listed below, whose identities are known to the Grand Jury, for the tax years listed below, which returns, claims and other documents were false and fraudulent as to one or more material matters, in that they represented that these clients earned wages and income as set forth below, whereas, as defendant GARY HAIRSTON then and there knew, said clients did not earn the wages and income as set forth below:

Count	Taxpayer	Tax Year	Filing Date (Approximate)	False Items
1	Client #1	2010	February 28, 2011	a) Form 1040, Line 7: Wages, salaries, tips, etc., of \$8,800 b) Form 1040, Line 12: Business Income or (loss) of \$4,805 c) Schedule C
2	Client #1	2011	March 12, 2012	a) Form 1040, Line 7: Wages, salaries, tips, etc., of \$17,708 b) Form 1040, Line 12: Business Income or (loss) of (\$1,050) c) Schedule C
3	Client #1	2012	March 11, 2013	a) Form 1040, Line 7: Wages, salaries, tips, etc., of \$16,575 b) Form 1040, Line 12: Business Income or (loss) of \$631 c) Schedule C
4	Client #1	2013	April 14, 2014	a) Form 1040, Line 7: Wages, salaries, tips, etc., of \$14,365 b) Form 1040, Line 12: Business Income or (loss) of \$198 c) Schedule C

Count	Taxpayer	Tax Year	Filing Date (Approximate)	False Items
5	Client #2	2010	March 4, 2012	a) Form 1040, Line 7: Wages, salaries, tips, etc., of \$10,484 b) Form 1040, Line 12: Business Income or (loss) of \$252 c) Schedule C-EZ
6	Client #2	2011	March 12, 2012	a) Form 1040, Line 7: Wages, salaries, tips, etc., of \$11,725 b) Form 1040, Line 12: Business Income or (loss) of \$247 c) Schedule C
7	Client #2	2012	April 22, 2013	a) Form 1040, Line 7: Wages, salaries, tips, etc., of \$13,750 b) Form 1040, Line 12: Business Income or (loss) of \$268 c) Schedule C
8	Client #2	2013	July 28, 2014	a) Form 1040, Line 7: Wages, salaries, tips, etc., of \$10,562 b) Form 1040, Line 12: Business Income or (loss) of \$3,940 c) Schedule C
9	Client #2	2014	March 16, 2015	a) Form 1040, Line 12: Business Income or (loss) of \$4,611 b) Schedule C

Count	Taxpayer	Tax Year	Filing Date (Approximate)	False Items
10	Client #3	2013	March 3, 2014	a) Form 1040, Line 7: Wages, salaries, tips, etc., of \$7,580 b) Form 1040, Line 12: Business Income or (loss) of \$1,188 c) Schedule C
11	Client #4	2010	February 7, 2011	a) Form 1040, Line 7: Wages, salaries, tips, etc., of \$11,712 b) Form 1040, Line 12: Business Income or (loss) of \$397 c) Schedule C-EZ
12	Client #4	2011	February 13, 2012	a) Form 1040, Line 7: Wages, salaries, tips, etc., of \$13,320 b) Form 1040, Line 12: Business Income or (loss) of \$462 c) Schedule C-EZ
13	Client #4	2012	April 8, 2013	a) Form 1040, Line 7: Wages, salaries, tips, etc., of \$17,496 b) Form 1040, Line 12: Business Income or (loss) of \$264 c) Schedule C-EZ

Count	Taxpayer	Tax Year	Filing Date (Approximate)	False Items
14	Client #4	2013	March 24, 2014	a) Form 1040, Line 7: Wages, salaries, tips, etc., of \$16,545 b) Form 1040, Line 12: Business Income or (loss) of \$1,163 c) Schedule C
15	Client #4	2014	March 16, 2015	a) Form 1040, Line 12: Business Income or (loss) of \$6,864 b) Schedule C
16	Client #5	2012	February 25, 2013	a) Form 1040, Line 12: Business Income or (loss) of \$17,321 b) Schedule C, Line 1: Gross receipts or sales of \$25,224
17	Client #6	2011	July 28, 2014	a) Form 1040, Line 7: Wages, salaries, tips, etc., of \$14,675 b) Form 1040, Line 12: Business Income or (loss) of \$899 c) Schedule C
18	Client #6	2012	June 29, 2014	a) Form 1040, Line 7: Wages, salaries, tips, etc., of \$14,725 b) Form 1040, Line 12: Business Income or (loss) of \$1,175 c) Schedule C-EZ

Count	Taxpayer	Tax Year	Filing Date (Approximate)	False Items
19	Client #6	2013	June 5, 2014	a) Form 1040, Line 7: Wages, salaries, tips, etc., of \$13,675 b) Form 1040, Line 12: Business Income or (loss) of \$359 c) Schedule C
20	Client #6	2014	February 23, 2015	a) Form 1040, Line 7: Wages, salaries, tips, etc., of \$13,675 b) Form 1040, Line 12: Business Income or (loss) of (\$252) c) Schedule C
21	Client #7	2011	September 5, 2014	a) Form 1040, Line 7: Wages, salaries, tips, etc., of \$13,255 b) Form 1040, Line 12: Business Income or (loss) of \$548 c) Schedule C-EZ
22	Client #7	2012	July 10, 2014	a) Form 1040, Line 7: Wages, salaries, tips, etc., of \$12,585 b) Form 1040, Line 12: Business Income or (loss) of \$335 c) Schedule C-EZ

Count	Taxpayer	Tax Year	Filing Date (Approximate)	False Items
23	Client #7	2013	July 14, 2014	a) Form 1040, Line 7: Wages, salaries, tips, etc., of \$14,853 b) Form 1040, Line 12: Business Income or (loss) of \$360 c) Schedule C
24	Client #7	2014	February 23, 2015	a) Form 1040, Line 12: Business Income or (loss) of \$12,978 b) Schedule C
25	Client #8	2012	March 11, 2013	a) Form 1040, Line 7: Wages, salaries, tips, etc., of \$13,855 b) Form 1040, Line 12: Business Income or (loss) of \$50 c) Schedule C
26	Client #8	2013	February 24, 2014	a) Form 1040, Line 12: Business Income or (loss) of \$14,067 b) Schedule C

All in violation of Title 26, United States Code, Section 7206(2).

THIS IS A TRUE BILL

s/Grand Jury Foreperson

Dated: October 3, 2017

GRAND JURY FOREPERSON

DANIEL LEMISCH
Acting United States Attorney

s/Carl F. Brooker, IV
CARL F. BROOKER, IV
Trial Attorney
U.S. Department of Justice, Tax Division

s/Thomas F. Koelbl
THOMAS F. KOELBL
Trial Attorney
U.S. Department of Justice, Tax Division

ORIGINAL

United States District Court
Eastern District of Michigan**Criminal Case C**Case: 2:17-cr-20653
Judge: Lawson, David M.
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NOTE: It is the responsibility of the Assistant U.S. Attorney signing this form to

Companion Case Information		Companion Case Number:
This may be a companion case based upon LCrR 57.10 (b)(4) ¹ :		Judge Assigned:
<input type="checkbox"/> Yes <input type="checkbox"/> No		AUSA's Initials: <i>CF</i>

Case Title: USA v. Gary Hairston**County where offense occurred :** Wayne**Check One:** **Felony** **Misdemeanor** **Petty**

Indictment/____ Information --- no prior complaint.
 Indictment/____ Information --- based upon prior complaint [Case number: _____]
 Indictment/____ Information --- based upon LCrR 57.10 (d) [Complete Superseding section below].

Superseding Case Information**Superseding to Case No:** _____ **Judge:** _____

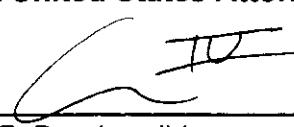
Corrects errors; no additional charges or defendants.
 Involves, for plea purposes, different charges or adds counts.
 Embraces same subject matter but adds the additional defendants or charges below:

<u>Defendant name</u>	<u>Charges</u>	<u>Prior Complaint (if applicable)</u>
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Please take notice that the below listed Assistant United States Attorney is the attorney of record for the above captioned case.

October 3, 2017

Date



Carl F. Brooker, IV
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¹ Companion cases are matters in which it appears that (1) substantially similar evidence will be offered at trial, or (2) the same or related parties are present, and the cases arise out of the same transaction or occurrence. Cases may be companion cases even though one of them may have already been terminated.